

At line no. 8463a
November 28, 1978

To the Addressee:

Enclosed is a copy of Regulation D, "Reserves of Member Banks," of the Board of Governors of the Federal Reserve System, as amended effective July 6, 1978. The amended Regulation D pamphlet replaces the November 9, 1972 printing of the regulation, together with all amendments to the regulation through July 6, 1978. Please retain the supplement effective November 2, 1978.

Also enclosed is a copy of the Board's "Rules Regarding Delegation of Authority," as amended effective August 2, 1978. The amended Rules pamphlet replaces the September 1, 1977 printing of the Rules, together with all amendments to the Rules through August 2, 1978. Please retain the amendment effective October 19, 1978.

Additional copies of the two pamphlets are available upon request.

Circulars Division
FEDERAL RESERVE BANK OF NEW YORK

At-enc. no. 8463a

**BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM**

RESERVES OF MEMBER BANKS

REGULATION D

(12 CFR 204)

As amended effective July 6, 1978



Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the Federal Reserve District in which the inquiry arises.

CONTENTS

	Page		Page
SEC. 204.1—DEFINITIONS	3	SEC. 204.2—COMPUTATION OF RESERVES ..	6
(a) Demand deposits	3	(a) Amounts of reserves to be maintained	6
(b) Time deposits	3	(b) Deductions allowed in computing re-	6
(c) Time certificates of deposit	3	serves	6
(d) Time deposits, open account	3	(c) Availability of cash items as reserve	6
(e) Savings deposits	3	(d) Reserves against trust funds	6
(f) Deposits as including certain promis-	4	(e) Continuance of "time deposit" status	7
sory notes and other obligations ..	4	SEC. 204.3—DEFICIENCIES IN RESERVES ...	7
(g) Gross demand deposits	5	(a) Computation of deficiencies	7
(h) Cash items in process of collection ..	5	(b) Penalties	7
(i) Net demand deposits	5	(c) Notice to directors of banks deficient	7
(j) Currency and coin	5	in reserves	7
		(d) Continued deficiencies	7
		STATUTORY APPENDIX	9



REGULATION D

(12 CFR 204)

As amended effective July 6, 1978

RESERVES OF MEMBER BANKS*

SECTION 204.1—DEFINITIONS

(a) **Demand deposits.** The term "demand deposits" includes all deposits except "time deposits" as defined below.

(b) **Time deposits.** The term "time deposits" means "time certificates of deposit", "time deposits, open account", and "savings deposits", as defined below; except that for the purposes of § 204.5(c) "time deposits" shall have the meaning set forth therein.

(c) **Time certificates of deposit.** The term "time certificates of deposit" means a deposit evidenced by a negotiable or nonnegotiable instrument which provides on its face that the amount of such deposit is payable to bearer or to any specified person or to his order:

(1) On a certain date, specified in the instrument, not less than 30 days after the date of deposit, or

(2) At the expiration of a certain specified time not less than 30 days after the date of the instrument, or

(3) Upon notice in writing which is actually required to be given not less than 30 days before the date of repayment,¹ and

(4) In all cases only upon presentation and surrender of the instrument.

(d) **Time deposits, open account.** The term "time deposit, open account" means a deposit,

other than a "time certificate of deposit", with respect to which there is in force a written contract with the depositor that neither the whole nor any part of such deposit may be withdrawn, by check or otherwise, prior to the date of maturity, which shall be not less than 30 days after the date of the deposit,² or prior to the expiration of the period of notice which must be given by the depositor in writing not less than 30 days in advance of withdrawal.³

(e) **Savings deposits.** The term "savings deposit" means a deposit—(1) that consists of funds deposited to the credit of or in which the entire beneficial interest is held by one or more individuals, or a corporation, association, or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes and not operated for profit;⁴ or that consists of funds deposited to the credit of or in which the entire beneficial interest is held by the United States, any State of the United States, or any county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands,

² Deposits, such as Christmas club accounts and vacation club accounts, which are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months constitute "time deposits, open account" even though some of the deposits are made within 30 days from the end of the period.

³ A deposit with respect to which the bank merely reserves the right to require notice of not less than 30 days before any withdrawal is made is not a "time deposit, open account", within the meaning of the above definition.

⁴ Deposits in joint accounts of two or more individuals may be classified as savings deposits if they meet the other requirements of the above definition. Deposits of a partnership operated for profit may also be classified as savings to the extent such deposits do not exceed \$150,000 per partnership at a member bank.

* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 204; cited as 12 CFR 204. The words "this Part", as used herein, mean Regulation D.

¹ A deposit with respect to which the bank merely reserves the right to require notice of not less than 30 days before any withdrawal is made is not a "time certificate of deposit".

American Samoa, Guam, or political subdivision thereof; or that consists of funds deposited to the credit of or in which any beneficial interest is held by a corporation, association, or other organization not qualifying above to the extent such funds do not exceed \$150,000 per such depositor at a member bank;^{4a} and

(2) with respect to which the depositor is not required by the deposit contract but may at any time be required by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made⁵ and which is not payable on a specified date or at the expiration of a specified time after the date of deposit.

(f) **Deposits as including certain promissory notes and other obligations.** For the purposes of this Part, the term "deposits" also includes a member bank's liability on any promissory note, acknowledgment of advance, due bill, banker's acceptance, or similar obligation (written or oral) that is issued or undertaken by a member bank as a means of obtaining funds to be used in its banking business, except any such obligation that:

(1) is issued to (or undertaken with respect to) and held for the account of (i) a domestic banking office⁶ of another bank, or (ii) the United States or an agency thereof, or the Government Development Bank for Puerto Rico;

(2) evidences an indebtedness arising from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof that the bank is obligated to repurchase;

(3)(i) bears on its face, in bold-face type, the following: "This obligation is not a deposit and is not insured by the Federal Deposit Insurance Corporation";

is subordinated to the claims of depositors, is unsecured, and is ineligible as collateral for a loan

by the issuing bank and also expressly states said provisions on its face; has an original maturity of at least seven years, or, in the case of an obligation or issue that provides for any type of scheduled repayments of principal, has an average maturity⁷ of at least seven years⁸ and provides that once any such repayment of principal begins, all scheduled repayments shall be made at least annually and the amount repaid in each year is no less than in the prior year; is issued subject to a requirement that no repayment (other than a regularly scheduled repayment already approved by the appropriate Federal bank regulatory agency), including, but not limited to, a payment pursuant to acceleration of maturity, may be made without the prior written approval of the appropriate Federal bank regulatory agency;⁹ is in an amount of at least \$500, *Except*, That the appropriate Federal bank regulatory agency may approve the issuance of an obligation that is less than \$500 if such lesser amount is necessary (a) to satisfy the preemptive rights of shareholders in the case of a convertible debt obligation, (b) to maintain a ratable unit offering to holders of preemptive rights in the case of an obligation issued exclusively as part of a unit including shares of stock which are subject to such preemptive rights, or (c) to satisfy shareholders' ratable claims in the case of an obligation issued wholly or partially in exchange for shares of voting stock or assets pursuant to a plan of merger, consolidation, reorganization, or other transaction where the issuer will acquire either a majority of such shares of voting stock or all or substantially all of the assets of the entity whose assets are being acquired; and has been approved by the appropriate Federal bank regulatory agency as an addition to the capital structure of the issuing bank; or (ii) meets all of the requirements in the preceding clause except the maturity requirements or the requirement that scheduled repayments shall be in amounts at least equal to those made in a previous year, and with respect to which the appropriate Federal bank regulatory agency has determined that exigent circumstances require the issuance of

^{4a} Where a deposit is to the credit of the bank's own trust department and the funds involved are utilized to cover checks, such deposit may not be classified as a savings deposit.

⁵ The exercise by the bank of its right to require such notice shall not cause the deposit to cease to be a savings deposit.

⁶ Any banking office (i) in any State of the United States or the District of Columbia of a bank organized under domestic or foreign law or (ii) of a member bank whose head office is located outside the States of the United States or the District of Columbia provided, reserves are required to be maintained by such member bank under this Part against the deposit liabilities of such office.

⁷ The "average maturity" of an obligation or issue repayable in scheduled periodic payments shall be the weighted average of the maturities of all such scheduled repayments.

⁸ In a serial issue, the member bank may offer no note with a maturity of less than five years.

⁹ For the purposes of this Part, the "appropriate Federal bank regulatory agency" is the Comptroller of the Currency in the case of a national bank and the Board of Governors in the case of a State member bank.

such obligations without regard to the provisions of this Part; or (iii) was issued or publicly offered before June 30, 1970, with an original maturity of more than two years;

(4) arises from a borrowing by a member bank from a dealer in securities, for one business day, of proceeds of a transfer of deposit credit in a Federal Reserve Bank (or other immediately available funds), commonly referred to as "Federal funds", received by such dealer on the date of the loan in connection with clearance of securities transactions; or

(5) arises from the creation of a bank acceptance of the type described in Section 13 of the Federal Reserve Act and eligible for discount by the Federal Reserve Banks.

In addition to and notwithstanding the foregoing, the term "deposit" includes any liability or undertaking on the part of a member bank to sell or deliver securities to, or purchase securities for the account of, any customer (including other banks), involving the receipt of funds by the member bank or a debit to an account of such customer before the securities are delivered, unless such securities are delivered to or for the account of the purchaser within three business days from the date of purchase or, thereafter, such liability or undertaking is fully secured by collateral consisting of one or more securities "similar to" and with an aggregate market value at least equal to that of the securities which are the subject of the member bank's liability or undertaking.

This paragraph shall not, however, affect (i) any instrument issued before June 27, 1966 (ii) any instrument that evidences an indebtedness arising from a transfer of assets under repurchase agreement issued before July 25, 1969, or (iii) any instrument issued to a foreign office of another bank before June 27, 1969.

For the purposes of this Part, "deposits" of a member bank also include the liability of a member bank's affiliate, as defined in section 2 of the Banking Act of 1933 (12 U.S.C. 221a(b)), on any promissory note, acknowledgment of advance, due bill, or similar obligation (written or oral), with a maturity of 7 years or less, to the extent that the proceeds are used for the purpose of supplying funds to the bank for use in its banking business, or to maintain the availability of such funds, except any such obligation that, if it

had been issued directly by the member bank, would not constitute a deposit in view of exceptions (1) and (2), above.

(g) **Gross demand deposits.** The term "gross demand deposits" means the sum of all demand deposits, including demand deposits to the credit of other banks, the United States, States, counties, school districts, and other governmental subdivisions and municipalities, and all outstanding certified and officers' checks (including checks issued by the bank in payment of dividends and checks or drafts drawn by or on behalf of a foreign branch of a member bank on an account maintained by such a branch with a domestic office of the parent bank), and letters of credit and travelers' checks sold for cash.

"Gross demand deposits" also includes any obligation to pay a check (or other instrument, device, or arrangement for the transfer of funds) drawn on the bank, where the account of the bank's customer has already been debited.

(h) **Cash items in process of collection.** The term "cash items in process of collection" means:

(1) Checks in process of collection, drawn on a bank, private bank, or any other banking institution, which are payable immediately upon presentation in the United States, including checks with a Federal Reserve Bank in process of collection and checks on hand which will be presented for payment or forwarded for collection on the following business day;

(2) Government checks and warrants drawn on the Treasurer of the United States which are in process of collection;

(3) Such other items in process of collection, payable immediately upon presentation in the United States, as are customarily cleared or collected by banks as cash items.

Items handled as noncash collections may not be treated as "cash items in process of collection" within the meaning of this Part.

(i) **Net demand deposits.** The term "net demand deposits" means gross demand deposits as defined in paragraph (g) of this section less the deductions allowed under the provisions of § 204.2(b).

(j) **Currency and coin.** The term "currency and coin" means United States currency and coin owned and held by a member bank, including currency and coin in transit to or from a Federal Reserve Bank.

SECTION 204.2—COMPUTATION OF RESERVES

(a) **Amounts of reserves to be maintained.** (1) Every member bank shall maintain on deposit with the Federal Reserve Bank of its district an actual net balance equal to 3 per cent of its time deposits, plus 7 per cent of its net demand deposits if it is not located in a reserve city or 10 per cent of its net demand deposits if it is located in a reserve city, or such different percentages of its time deposits and net demand deposits as the Board of Governors of the Federal Reserve System, pursuant to and within the limitations contained in section 19 of the Federal Reserve Act, may prescribe from time to time in § 204.5 (the Supplement to this Part): *Provided*, That a member bank's currency and coin shall be counted as reserves in determining compliance with such requirements to such extent as the Board of Governors of the Federal Reserve System, pursuant to section 19 of the Federal Reserve Act, may permit from time to time in § 204.5.

(2) A member bank in a reserve city is deemed to have a character of business similar to banks outside of reserve cities whenever it has average net demand deposit balances of \$400 million or less for the second computation period preceding the current reserve maintenance period. The Board grants permission to any such bank or banks to maintain for the current period the reserve balances that are in effect for member banks not located in reserve cities. Such permission and any other permission granted by the Board to maintain reduced reserves is automatically suspended for the current reserve maintenance period with respect to any member bank in a reserve city that has average net demand deposit balances of more than \$400 million for the second computation period preceding the current reserve maintenance period. Any such bank shall maintain for the current period the reserve balances in effect for banks located in reserve cities.

(3) For the purposes of this Part, each city having a Federal Reserve office is a reserve city. In addition, any city, town, village or other community, whether or not incorporated, is a reserve city for a reserve computation period if it contains a head office of any member bank that had average daily net demand deposit balances of more than \$400 million for the second computation period preceding the current reserve maintenance period.

(b) **Deductions allowed in computing reserves.**

In determining the reserve balances required under the terms of this Part, member banks may deduct from the amount of their gross demand deposits the amounts of balances subject to immediate withdrawal due from other banks and cash items in process of collection as defined in § 204.1(h). Balances "due from other banks" do not include balances due from Federal Reserve Banks, balances (payable in dollars or otherwise) due from foreign banks or branches thereof wherever located, or balances due from foreign branches of domestic banks.¹⁰

(c) **Availability of cash items as reserve.** Cash items forwarded to a Federal Reserve Bank for collection and credit cannot be counted as part of the minimum reserve balance to be carried by a member bank with its Federal Reserve Bank until the expiration of such time as may be specified in the appropriate time schedule referred to in Part 210 of this chapter. If a member bank draws against items before such time, the draft will be charged against its reserve balance if such balance be sufficient in amount to pay it; but any resulting impairment of reserve balances will be subject to the penalties provided by law and by this Part: *Provided, however*, That the Federal Reserve Bank may, in its discretion, refuse at any time to permit the withdrawal or other use of credit given in its reserve account for any item for which the Federal Reserve Bank has not received payment in actually and finally collected funds.

(d) **Reserves against trust funds.** A member bank exercising trust powers need not maintain reserves against trust funds which it keeps properly segregated as trust funds and apart from its general assets or which it deposits in another institution to the credit of itself as trustee or other fiduciary. If, however, such funds are mingled with the general assets of the bank, a deposit liability thereby arises against which reserves must be maintained.

¹⁰ A member bank exercising fiduciary powers may not include in balances "due from other banks" amounts of trust funds deposited with other banks and due to it as trustee or other fiduciary. If trust funds are deposited by the trust department of a member bank in its commercial or savings department and are then redeposited in another bank subject to immediate withdrawal they may be included by the member bank in balances "due from other banks", subject to the provisions of § 204.2(b).

(e) **Continuance of "time deposit" status.** A deposit which at the time of deposit was a "deposit evidenced by a time certificate of deposit", "time deposit, open account", or "savings deposit" continues to be a "time deposit" until maturity or the expiration of the period of notice of withdrawal, although it has become payable within 30 days. After the date of maturity of any time deposit, such deposit is a demand deposit. After the expiration of the period of notice given with respect to the repayment of any savings deposit or other time deposit, such deposit is a demand deposit, except that, if the owner of such deposit advises the bank in writing that the deposit will not be withdrawn pursuant to such notice or that the deposit will thereafter again be subject to the contract or requirements applicable to such deposit, the deposit will again constitute a savings deposit or other time deposit, as the case may be, after the date upon which such advice is received by the bank.

SECTION 204.3—DEFICIENCIES IN RESERVES

(a) **Computation of deficiencies.** (1) Reserve requirements of all member banks shall be determined on the basis of average daily net deposit balances and average daily currency and coin covering 7-day computation periods which shall end at the close of business on Wednesday of each week.

(2) In determining whether a member bank has maintained a reserve balance that is in excess of or less than its required reserve balance for any computation period:

(i) The required reserve balance of such bank shall be based upon the average daily net deposit balances held by the member bank at the close of business each day during the second computation period prior to the computation period for which the computation is made.

(ii) The reserve balance of such bank shall consist of the average daily balance with the Federal Reserve Bank of its District held by the member bank at the close of business of each day during the computation period for which the computation is made and the average daily currency and coin held by the member bank at the close of business each day during the second computation

period prior to the computation period for which the computation is made.

(3) Any excess or deficiency in a member bank's required reserve balance for any computation period, determined as provided in subparagraph (2) above, will be carried forward to the next following computation period to the extent that such excess or deficiency does not exceed 2 per cent of such required reserves, except that any portion of such excess or deficiency not offset in the next period may not be carried forward to additional computation periods.

(b) **Penalties.** (1) Deficiencies in reserve balances remaining after the application of subparagraph (3) of paragraph (a) above will be subject to penalties, assessed monthly on the basis of average daily deficiencies during each of the computation periods ending in the preceding calendar month.

(2) Any such penalty will be assessed at a rate of 2 per cent per annum above the lowest rate applicable to borrowings by each member bank from its Federal Reserve Bank on the first day of the calendar month in which the deficiencies occurred.

(c) **Notice to directors of banks deficient in reserves.** Whenever it shall appear that a member bank is not paying due regard to the maintenance of its reserves, the Federal Reserve Bank shall address a letter to each director of such bank calling attention to the situation and advising him of the requirements of the law and of this Part regarding the maintenance of reserves.

(d) **Continued deficiencies.** If, after the notice provided for in paragraph (c) of this section has been given, it shall appear that the member bank is continuing its failure to pay due regard to the maintenance of its reserves, the Federal Reserve Bank shall report such fact to the Board of Governors of the Federal Reserve System with a recommendation as to whether or not the Board should:

(1) In the case of a national bank, direct the Comptroller of the Currency to bring suit to forfeit the charter of such national bank pursuant to section 2 of the Federal Reserve Act (38 Stat. 252; 12 U.S.C. 501a); or

(2) In the case of a State member bank, institute proceedings to require such bank to surrender its stock in the Federal Reserve Bank and to

forfeit all rights and privileges of membership pursuant to section 9 of the Federal Reserve Act (46 Stat. 251; 12 U.S.C. 327); or

(3) In either case, take such other action as the Federal Reserve Bank may recommend or the

Board of Governors of the Federal Reserve System may consider advisable.

(SECTION 204.5—SUPPLEMENT, containing reserve percentages and use of vault cash in meeting reserve requirements, is printed separately.)

(b) *Transfer of funds.* (1) If a member bank transfers funds to another member bank, the transfer must be made in accordance with the following requirements: (i) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (ii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (iii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder.

(2) If a member bank transfers funds to a non-member bank, the transfer must be made in accordance with the following requirements: (i) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (ii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (iii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder.

(3) If a member bank transfers funds to a foreign bank, the transfer must be made in accordance with the following requirements: (i) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (ii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (iii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder.

(4) If a member bank transfers funds to a branch of another member bank, the transfer must be made in accordance with the following requirements: (i) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (ii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (iii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder.

(5) If a member bank transfers funds to a branch of a non-member bank, the transfer must be made in accordance with the following requirements: (i) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (ii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (iii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder.

(6) If a member bank transfers funds to a branch of a foreign bank, the transfer must be made in accordance with the following requirements: (i) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (ii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (iii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder.

(7) If a member bank transfers funds to a branch of another member bank, the transfer must be made in accordance with the following requirements: (i) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (ii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder. (iii) The transfer must be made in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder.

SECTION 204.5—SUPPLEMENT

(a) *Reserve requirements.* (1) Member banks shall be deemed to have complied with the reserve requirements of the Federal Reserve Act if they maintain in the United States, or in any branch thereof, a certain amount of cash or cash equivalents, as determined by the Federal Reserve Board, in accordance with the requirements of the Federal Reserve Act and the Federal Reserve Board's regulations thereunder.

(2) In determining whether a member bank has maintained a reserve balance that is in excess of the required reserve balance for any particular period, the Federal Reserve Board shall take into account the following factors: (i) The required reserve balance of each bank. (ii) The average daily balance of each bank. (iii) The average daily balance of each bank.

(3) The required reserve balance of each bank shall be determined by the Federal Reserve Board, taking into account the following factors: (i) The average daily balance of each bank. (ii) The average daily balance of each bank. (iii) The average daily balance of each bank.

(4) The average daily balance of each bank shall be determined by the Federal Reserve Board, taking into account the following factors: (i) The average daily balance of each bank. (ii) The average daily balance of each bank. (iii) The average daily balance of each bank.

STATUTORY APPENDIX

Section 19 of the Federal Reserve Act provides in part as follows:

(a) The Board is authorized for the purposes of this section to define the terms used in this section, to determine what shall be deemed a payment of interest, to determine what types of obligations, whether issued directly by a member bank or indirectly by an affiliate of a member bank or by other means, shall be deemed a deposit, and to prescribe such regulations as it may deem necessary to effectuate the purposes of this section and to prevent evasions thereof.

(b) Every member bank shall maintain reserves against its deposits in such ratios as shall be determined by the affirmative vote of not less than four members of the Board within the following limitations:

(1) In the case of any member bank in a reserve city, the minimum reserve ratio for any demand deposit shall be not less than 10 per centum and not more than 22 per centum, except that the Board, either in individual cases or by regulation, on such basis as it may deem reasonable and appropriate in view of the character of business transacted by such bank, may make applicable the reserve ratios prescribed for banks not in reserve cities.

(2) In the case of any member bank not in a reserve city, the minimum reserve ratio for any demand deposit shall be not less than 7 per centum and not more than 14 per centum.

(3) In the case of any deposit other than a demand deposit, the minimum reserve ratio shall be not less than 3 per centum and not more than 10 per centum.

The Board may, however, prescribe any reserve ratio, not more than 22 per centum, with respect to any indebtedness of a member bank that arises out of a transaction in the ordinary course of its banking business with respect to either funds received [from] or credit extended by such bank to a bank organized under the law of a foreign country or a dependency or insular possession of the United States.

(c) Reserves held by any member bank to meet the requirements imposed pursuant to subsection (b) of this section shall be in the form of—

(1) balances maintained for such purposes by such bank in the Federal Reserve bank of which it is a member, and

(2) the currency and coin held by such bank, or such part thereof as the Board may by regulation prescribe.

[U.S.C., title 12, sec. 461.]

* * *

(f) The required balance carried by a member bank with a Federal Reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Board of Governors of the Federal Reserve System, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities.

[U.S.C., title 12, sec. 464.]

(g) In estimating the reserve balances required by this Act, member banks may deduct from the amount of their gross demand deposits the amounts of balances due from other banks (except Federal Reserve banks and foreign banks) and cash items in process of collection payable immediately upon presentation in the United States, within the meaning of these terms as defined by the Board of Governors of the Federal Reserve System.

[U.S.C., title 12, sec. 465.]

Section 11 of the Federal Reserve Act provides in part as follows:

The Board of Governors of the Federal Reserve System shall be authorized and empowered:

* * *

(c) To suspend for a period not exceeding thirty days, and from time to time to renew such suspensions for periods not exceeding fifteen days, any reserve requirements specified in this Act.

[U.S.C., title 12, sec. 248(c).]

* * *

(e) To add to the number of cities classified as reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section [nineteen] of this Act; or to reclassify existing reserve cities or to terminate their designation as such.

[U.S.C., title 12, sec. 248(e).]

* * *

At-enc. No. 8463a

**BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM**

RULES REGARDING DELEGATION OF AUTHORITY

(12 CFR 265)

As amended effective August 2, 1978



Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the Federal Reserve District in which the inquiry arises.

CONTENTS

SEC. 265.1—DELEGATION OF FUNCTIONS GENERALLY	3	(d) The Director of the Division of Federal Reserve Bank Operations	10
SEC. 265.1a—SPECIFIC FUNCTIONS DELEGATED TO BOARD MEMBERS..	3	(e) The Director of the Division of Personnel	10
(a) Any Board Member designated by the Chairman	3	(f) Each Federal Reserve Bank	10
(b) Any Board member	3	(g) The Director of the Division of International Finance	18
(c) Any three Board Members designated from time to time by the Chairman	3	(h) The Director of the Division of Consumer Affairs	18
SEC. 265.2—SPECIFIC FUNCTIONS DELEGATED TO BOARD EMPLOYEES AND TO FEDERAL RESERVE BANKS	3	(i) The Secretary of the Federal Open Market Committee	19
(a) The Secretary of the Board	3	(j) The Director of the Division of Federal Reserve Bank Examinations and Budgets	19
(b) The General Counsel of the Board ..	7		
(c) The Director of the Division of Banking Supervision and Regulation ..	8	SEC. 265.3—REVIEW OF ACTION AT DELEGATED LEVEL	19

STATUTORY AUTHORITY

This regulation is issued under authority of section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)), which reads as follows:

Sec. 11. The Board of Governors of the Federal Reserve System shall be authorized and empowered:

* * * * *

(k) To delegate, by published order or rule and subject to the Administrative Procedure Act,

any of its functions, other than those relating to rulemaking or pertaining principally to monetary and credit policies, to one or more hearing examiners, members or employees of the Board, or Federal Reserve Banks. The assignment of responsibility for the performance of any function that the Board determines to delegate shall be a function of the Chairman. The Board shall, upon the vote of one member, review action taken at a delegated level within such time and in such manner as the Board shall by rule prescribe.

RULES REGARDING DELEGATION OF AUTHORITY*

(12 CFR 265)

As amended effective August 2, 1978

SECTION 265.1—DELEGATION OF FUNCTIONS GENERALLY

Pursuant to the provisions of section 11(k) of the Federal Reserve Act (12 U.S.C. 248(k)), the Board of Governors of the Federal Reserve System delegates authority to exercise those of its functions described in this Part, subject to the limitations and guidelines herein prescribed. The Chairman of the Board of Governors assigns the responsibility for the performance of such delegated functions to the persons herein specified. A delegatee may submit any matter to the Board for determination if the delegatee considers such submission appropriate because of the importance or complexity of the matter.

SECTION 265.1a—SPECIFIC FUNCTIONS DELEGATED TO BOARD MEMBERS

(a) **Any Board member designated by the Chairman** is authorized:

(1) Under section (a)(6) of the Freedom of Information Act (5 U.S.C. § 552) and Part 261 of this Chapter (Rules Regarding Availability of Information) to review and make a determination with respect to an appeal of denial of access to records of the Board made in accordance with the procedures prescribed by the Board.

(2) To approve, after receiving the recommendations of the Director of the Division of Banking Supervision and Regulation and the General Counsel, amendments to any notice of charges, proposed order to cease and desist, or temporary cease-and-desist order, previously approved by the Board of Governors pursuant to the Financial Institutions Supervisory Act, 12 U.S.C. §§ 1818(b), (c) (Federal Deposit Insurance Act, §§ 8(b) and (c)).

(b) **Any Board member** is authorized, when requested by the Secretary of the Board, to act upon any request to the Board filed with the Secretary pursuant to section 263.10(e) of the Board's Rules of Practice for Formal Hearings (12 CFR 263) for special permission to appeal from a ruling of the presiding officer at any hearing conducted pursuant to such rules on any motion ruled upon by such presiding officer (provided, that if such special permission is granted the merits of the appeal shall thereupon be presented to the Board for decision). Notwithstanding the provisions of section 265.3 hereof, the denial of such special permission pursuant to this paragraph shall be subject to review by the Board only upon the request of a member of the Board made within two days following the denial. No person claiming to be adversely affected by such denial shall have any right to petition the Board or any Board member for review or reconsideration of such action.

(c) **Any three Board members designated from time to time by the Chairman** (the "Action Committee") are authorized, upon certification by the Secretary of the Board of an absence of a quorum of the Board present in person, to act by unanimous vote on any matter that the Chairman of the Board has certified must be acted upon promptly in order to avoid delay that would be inconsistent with the public interest, other than (i) those relating to rulemaking, (ii) those pertaining principally to monetary and credit policies, and (iii) those for which a statute expressly requires the affirmative vote of more than three members of the Board. This delegation of authority shall terminate June 30, 1980.

SECTION 265.2—SPECIFIC FUNCTIONS DELEGATED TO BOARD EMPLOYEES AND TO FEDERAL RESERVE BANKS

(a) **The Secretary of the Board** (or, in the Secretary's absence, the Acting Secretary) is authorized:

*This text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 265, cited as 12 CFR 265. The words "this Part," as used herein, mean Rules Regarding Delegation of Authority.

(1) Under the provisions of Part 261 of this Chapter, to make available, upon request, information in the records of the Board.

(2) Under the provisions of section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the formation of a bank holding company through the acquisition by a company of a controlling interest in the voting shares of one or more banks, if all of the following conditions are met:

(i) the Reserve Bank could approve such formation under subparagraph (22) of paragraph (f) of this section, except for the fact that condition (iv) of that subparagraph has not been met because one of the following policy issues has been raised with respect to such formation:

(a) a director or senior officer of a bank which would become a subsidiary of the holding company proposed to be formed or a director or senior officer of the holding company proposed to be formed, is a director of a Federal Reserve Bank or branch.

(b) a director or senior officer of a bank which would become a subsidiary of the holding company proposed to be formed, or a director or senior officer of the holding company proposed to be formed, is a member of the Federal Advisory Council.

(c) an individual (or group of individuals) who is a principal in the holding company proposed to be formed is already a principal in another bank holding company.

(d) the Board has made a general determination that another policy issue raised by the proposal does not require Board consideration, but nevertheless makes it inappropriate for a Reserve Bank to approve the proposal.

(ii) all relevant divisions of the Board's staff recommend approval.

(3) Under the provisions of section 3(a)(3) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the acquisition by a bank holding company of a controlling interest in the voting shares of an additional bank, if all of the following conditions are met:

(i) the Reserve Bank could approve such acquisition under subparagraph (23) of paragraph (f) of this section, except for the fact that condition (iv) of that subparagraph has not been met because one of the following policy issues has been raised with respect to such acquisition:

(a) a director or senior officer of the

holding company, of any subsidiary bank of the holding company or of any bank sought to be acquired, is a director of a Federal Reserve Bank or branch.

(b) a director or senior officer of the holding company, of any subsidiary bank of the holding company or of any bank sought to be acquired, is a member of the Federal Advisory Council.

(c) the Board has made a general determination that another policy issue raised by the proposal does not require Board consideration, but nevertheless makes it inappropriate for a Reserve Bank to approve the proposal.

(ii) all relevant divisions of the Board's staff recommend approval.

(4) Under the provisions of section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), to approve a merger, consolidation, acquisition of assets or assumption of liabilities, where the resulting bank is a State member bank, if all of the following conditions are met:

(i) the Reserve Bank could approve such merger, consolidation, acquisition of assets or assumption of liabilities under subparagraph (28) of paragraph (f) of this section, except for the fact that condition (iv) of that subparagraph has not been met because one of the following policy issues has been raised with respect to such transaction:

(a) a director or senior officer of any bank involved in such transaction is a director of a Federal Reserve Bank or branch.

(b) a director or senior officer of any bank involved in such transaction is a member of the Federal Advisory Council.

(c) the Board has made a general determination that another policy issue raised by the proposal does not require Board consideration, but nevertheless makes it inappropriate for a Reserve Bank to approve the proposal.

(ii) all relevant divisions of the Board's staff recommend approval.

(5) Under the provisions of section 3(a)(5) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the merger or consolidation of a bank holding company with any other bank holding company, if all of the following conditions are met:

(i) the Reserve Bank could approve such merger or consolidation under subparagraph (30) of paragraph (f) of this section, except for the

fact that condition (iv) of that subparagraph has not been met because one of the following policy issues has been raised with respect to such merger or consolidation:

(a) a director or senior officer of any of the holding companies or of any of the subsidiary banks of the holding companies involved in such merger or consolidation is a director of a Federal Reserve Bank or branch.

(b) a director or senior officer of any of the holding companies or of any of the subsidiary banks of the holding companies involved in such merger or consolidation is a member of the Federal Advisory Council.

(c) the Board has made a general determination that another policy issue raised by the proposal does not require Board consideration, but nevertheless makes it inappropriate for a Reserve Bank to approve the proposal.

(ii) all relevant divisions of the Board's staff recommend approval.

(6) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and sections 225.4(a)(1), (2), (3) and (9)(ii) of Regulation Y (12 CFR 225.4(a)(1), (2), (3) and (9)(ii)) to approve the acquisition by a bank holding company of an interest in a finance company or an industrial bank, as such terms are respectively defined in subparagraph (31) of paragraph (f) of this section, whether by acquisition of shares or assets, if all of the following conditions are met:

(i) the Reserve Bank could approve such acquisition under subparagraph (31) of paragraph (f) of this section, except for the fact that condition (v) of that subparagraph has not been met because one of the following policy issues has been raised with respect to such acquisition:

(a) a director or senior officer of the holding company, of any subsidiary bank of the holding company or of the finance company or industrial bank to be acquired is a director of a Federal Reserve Bank or branch.

(b) a director or senior officer of the holding company, of any subsidiary bank of the holding company or of the finance company or industrial bank to be acquired is a member of the Federal Advisory Council.

(c) the Board has made a general determination that another policy issue raised by the proposal does not require Board consideration,

but nevertheless makes it inappropriate for a Reserve Bank to approve the proposal.

(ii) all relevant divisions of the Board's staff recommend approval.

(7) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and section 225.4 (a)(9)(iii)(a) of Regulation Y (12 CFR 225.4(a)(9)(iii)(a)) to approve the acquisition or, as an incident to a bank holding company formation pursuant to section 3(a)(1) of the Act, the retention by a bank holding company of shares or assets of a company that acts as insurance agent or broker in offices at which the holding company or its subsidiaries are otherwise engaged in business (or in an office adjacent thereto) with respect to any insurance sold in a community that has a population not exceeding 5,000, if all of the following conditions are met:

(i) the Reserve Bank could approve such acquisition or retention under subparagraph (32) of paragraph (f) of this section, except for the fact that condition (iv) of that subparagraph has not been met because one of the following policy issues has been raised with respect to such acquisition or retention:

(a) a director or senior officer of the holding company, of any subsidiary bank of the holding company or of the company to be acquired or retained, is a director of a Federal Reserve Bank or branch.

(b) a director or senior officer of the holding company, of any subsidiary bank of the holding company or of the company to be acquired or retained, is a member of the Federal Advisory Council.

(c) the Board has made a general determination that another policy issue raised by the proposal does not require Board consideration, but nevertheless makes it inappropriate for a Reserve Bank to approve the proposal.

(ii) all relevant divisions of the Board's staff recommend approval.

(8) Under the provisions of sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M), to approve the establishment, directly or indirectly, of a foreign branch or agency by a member bank or corporation organized under section 25(a) (an "Edge" corporation) or operating under an agreement with the Board pursuant to section 25 (an "Agreement" corporation) if all the following conditions are met:

(i) the appropriate Reserve Bank recommends approval.

(ii) the relevant divisions of the Board's staff recommend approval.

(iii) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(iv) the application is not one for the applicant's first full-service branch in a foreign country.

(9) Under the provisions of sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M), to grant specific consent to the acquisition, either directly or indirectly, by a member bank or an Edge or Agreement corporation of stock of (i) a company chartered under the laws of a foreign country or (ii) a company chartered under the laws of a State of the United States that is organized and operated for the purpose of financing exports from the United States, and to approve any such acquisition that may exceed the limitations in section 25(a) of the Federal Reserve Act based on such a corporation's capital and surplus, if all of the following conditions are met:

(a) the appropriate Reserve Bank recommends approval.

(b) all relevant divisions of the Board's staff recommend approval.

(c) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(d) such acquisition does not result, either directly or indirectly, in the acquisition by such bank or corporation of effective control of any such company except that this condition need not be met if (1) the company is to perform nominee, fiduciary, or other services incidental to the activities of a foreign branch or affiliate of such bank or corporation, or (2) the stock is being acquired by such bank or corporation from its parent bank or bank holding company, or subsidiary Edge or Agreement corporation, as the case may be, and such selling parent or subsidiary holds such stock with the consent of the Board pursuant to Parts 211, 213, or 225 of this chapter (Regulations K, M, and Y).

(10) Under the provisions of sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M), to permit an Edge or Agreement corporation to exceed the limitations in § 211.9(b) and (c) of

this chapter (Regulation K),¹ if all of the following conditions are met:

(i) the appropriate Reserve Bank recommends approval.

(ii) all relevant divisions of the Board's staff recommend approval.

(iii) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(11) Under sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M), to approve, under section 211.4 of this chapter (Regulation K), the issuance by an Edge or Agreement corporation or a subsidiary thereof of debentures, bonds, promissory notes (with a maturity of more than one year), or similar obligations, if all of the following conditions are met:

(i) the appropriate Reserve Bank recommends approval.

(ii) all relevant divisions of the Board's staff recommend approval.

(iii) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(12) Under the provisions of section 4(c)(13) of the Bank Holding Company Act (12 U.S.C. 1843), and section 225.4(f) of Part 225 of this chapter (Regulation Y), to grant specific consent to the ownership or control, either directly or indirectly, by a bank holding company of voting shares of a company chartered under the laws of a foreign country, if all of the following conditions are met:

(i) the appropriate Reserve Bank recommends approval.

(ii) all relevant divisions of the Board's staff recommend approval.

(iii) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(iv) such acquisition does not result, either directly or indirectly, in the acquisition by such bank holding company of control of any such company (other than a company performing nominee, fiduciary, or other banking services incidental to the activities of a direct or indirect foreign subsidiary of such corporation).

¹ Subject, of course, to the limitations in section 25(a) relating to aggregate liabilities outstanding on debentures, bonds, and promissory notes.

(13) Under the provisions of sections 262.2(a) and (b) of the Board's Rules of Procedure, to extend, when appropriate, the time period provided for public participation with respect to proposed regulations of the Board of Governors.

(14) Under the provisions of section 6621 of the Internal Revenue Code (26 U.S.C. 6621), to determine and report to the Secretary of Treasury or his delegate, the average predominant prime rate quoted by commercial banks to large businesses.

(15) To grant or deny requests for the extension of any time period provided in any notice, order, rule or regulation of the Board relating to the filing of information, comments, opposition, briefs, exceptions or other matters, in connection with any application, request or petition for the approval, authority, determination, or permission of, or any other action by the Board sought by any person. Notwithstanding the provisions of section 265.3 hereof, no person claiming to be adversely affected by any action of the Secretary on any such request shall have the right to petition the Board or any Board member for review or reconsideration of such action.

(16) Under the provisions of section 11(i) of the Federal Reserve Act (12 U.S.C. § 248(i)) to conform references to administrative positions or units in outstanding rules and regulations of the Board with changes in the administrative structure of the Board, the Government of the United States and agencies thereof, and to conform citations and references in outstanding rules and regulations of the Board with other regulatory or statutory changes adopted or promulgated by the Board, the Government of the United States and agencies thereof.

(17) Pursuant to the requirement of the Privacy Act (5 U.S.C. § 552a(p)), to approve future Annual Reports on the Privacy Act from the Board of Governors to the Office of Management and Budget for inclusion in the President's annual consolidated report to the Congress.

(18) Under the provisions of section 19(j) of the Federal Reserve Act (12 U.S.C. 371b) and §§ 217.4(a) and (d) of Regulation Q (12 CFR 277.4(a) and (d)) to permit member banks to waive the penalty for early withdrawal of a time deposit in § 217.4(d) if all of the following conditions are met:

(i) The President of the United States declares an area a major disaster area pursuant to

section 301 of the Disaster Relief Act of 1974 (42 U.S.C. 5141) and Executive Order No. 11795 of July 11, 1974.

(ii) A waiver is limited in effectiveness to depositors suffering disaster-related losses in the officially designated disaster area.

(iii) The appropriate Reserve Bank recommends approval.

(iv) All relevant divisions of the Board's staff recommend approval.

(b) **The General Counsel of the Board** (or, in the General Counsel's absence, the Acting General Counsel) is authorized:

(1) Under the provisions of section 2(g) of the Bank Holding Company Act (12 U.S.C. 1841(g)), to determine whether a company that transfers shares to any of the types of transferees specified therein is incapable of controlling the transferee.

(2) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)), to determine that a company engaged in activities of a financial, fiduciary, or insurance nature falls within the exemption described therein permitting retention or acquisition of control thereof by a bank holding company.

(3) Under the provisions of sections 1101-1103 and section 6158 of the Internal Revenue Code (26 U.S.C. 1101-1103 and 6158), to make certifications (prior and final) for Federal tax purposes with respect to distributions pursuant to the Bank Holding Company Act.

(4) Under the provisions of section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and § 222.4(a) of this chapter (Regulation Y), to issue an order for a hearing to be conducted for the purposes of determining whether a company engaged in activities of a financial fiduciary or insurance nature falls within the exemption described therein permitting retention or acquisition of control thereof by a bank holding company.

(5) Pursuant to the provisions of Part 261 of this chapter, to make available information of the Board of the nature and in the circumstances described in § 261.6(b) and § 261.7 of that Part.

(6) Pursuant to Part 263.6(d) of this chapter, to designate Board staff attorneys as Board counsel in any proceeding ordered by the Board to be conducted in accordance with Part 263 of this chapter.

(c) **The Director of the Division of Banking Supervision and Regulation** (or, in the Director's absence, the Acting Director) is authorized:

(1) Under the provisions of the seventh paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 325), to select or to approve the appointment of Federal Reserve Bank examiners, assistant examiners, and special examiners.

(2) Under the provisions of the nineteenth paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 625) and § 211.9(e) of this chapter (Regulation K), to require submission and publication of reports by an "Edge Act" corporation.

(3) Under the provisions of section 5 of the Bank Holding Company Act (12 U.S.C. 1844), after having received clearance from the Bureau of the Budget (where necessary) and in accordance with the law of Administrative Procedure (5 U.S.C. 553), to promulgate registration, annual report, and other forms for use in connection with the administration of such Act.

(4) Under the provisions of section 12(g) of the Securities Exchange Act (15 U.S.C. 78l(g)):

(i) to accelerate the effective date of a registration statement filed by a member State bank with respect to its securities;

(ii) to accelerate termination of the registration of such a security that is no longer held of record by 300 persons; and

(iii) to extend the time for filing a registration statement by a member State bank.

(5) Under the provisions of section 12(d) of the Securities Exchange Act (15 U.S.C. 78l(d)), to accelerate the effective date of an application by a member State bank for registration of a security on a national securities exchange.

(6) Under the provisions of section 12(f) of the Securities Exchange Act (15 U.S.C. 78l(f)), to issue notices with respect to an application by a national securities exchange for unlisted trading privileges in a security of a member State bank.

(7) Under the provisions of section 12(h) of the Securities Exchange Act (15 U.S.C. 78l(h)), to issue notices with respect to an application by a member State bank for exemption from registration.

(8) Under the provisions of § 206.5(f) and (i) of this chapter (Regulation F), to permit the mailing of proxy and other soliciting materials by a member State bank before the expiration of the time prescribed therein.

(9) Under the provisions of §§ 206.41, 206.42, and 206.43 (Instructions as to Financial Statements 9, 4, and 3, respectively) of this chapter (Regulation F), to permit the omission of financial statements from reports by a member State bank and/or to require other financial statements in addition to, or in substitution for, the statements required therein.

(10) To exercise the functions described in subparagraph (4) of paragraph (f) of this section in cases in which the conditions specified therein as prerequisites to exercise of such functions by the Federal Reserve Banks are not present or in which, even though such conditions are present, the appropriate Federal Reserve Bank considers that nevertheless it should not take action on the member bank's request, and to exercise the functions described in subparagraphs (1), (2), and (7) of paragraph (f) of this section in cases in which the appropriate Federal Reserve Bank considers that it should not take action to approve the member bank's request.

(11) Under sections 25 and 25(a) of the Federal Reserve Act and Parts 211 and 213 of this chapter (Regulations K and M), to approve increases and reductions in the capital stock and amendments to the articles of association of a corporation organized under section 25(a) and *additional* investments by a member bank in the stock of a corporation operating under an agreement with the Board pursuant to section 25.

(12) To exercise the functions described in subparagraphs (15)(i) and (ii) of paragraph (f); and to exercise the functions described in subparagraph (15)(iii) of paragraph (f) in those cases in which the appropriate Federal Reserve Bank concludes that, because of unusual considerations, or for other good cause, it should not take action.

(13) Under the provisions of the seventh paragraph of section 25 of the Federal Reserve Act (12 U.S.C. 602), to require submission of a report of condition respecting any foreign bank in which a member bank holds stock acquired under the provisions of § 213.4 of this chapter (Regulation M).

(14) Under the twelfth paragraph of section 13 of the Federal Reserve Act (39 Stat. 754), to permit any member bank to accept drafts or bills of exchange drawn upon it for the purpose of furnishing dollar exchange.

(15) Under the provisions of section 4(b) of the Federal Deposit Insurance Act (12 U.S.C.

1814(b)), to certify to the Federal Deposit Insurance Corporation that, with respect to the admission of a State-chartered bank to Federal Reserve membership, the factors specified in section 6 of that Act (12 U.S.C. 1816) were considered.

(16) Under section 18(c)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)(4)), to furnish to the Comptroller of the Currency and the Federal Deposit Insurance Corporation reports on competitive factors involved in a bank merger required to be approved by one of those agencies if each of the appropriate departments or divisions of the appropriate Federal Reserve Bank and the Board of Governors is of the view that the proposed merger either would have no adverse competitive effects or would have only slightly adverse competitive effects, and if no member of the Board has indicated an objection prior to the forwarding of the report to the appropriate agency.

(17) Under the provisions of section 17(A)(c)(2) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78q - 1), to accelerate the effective date of a registration statement filed by a member State bank or a subsidiary thereof, a bank holding company, or a subsidiary of a bank holding company which is a bank as defined in section 3(a)(6) of that Act other than a bank specified in clause (i) or (iii) of section 3(a)(34)(B) of that Act (15 U.S.C. 78c) with respect to its transfer agent activities.

(18) Under the provisions of section 17A(c)(3)(C) of the Securities Exchange Act of 1934, as amended, (15 U.S.C. § 78q-1(c)(3)(C)) to withdraw or cancel the transfer agent registration of a member State bank or a subsidiary thereof, a bank holding company, or a subsidiary bank of a bank holding company that is a bank as defined in section 3(a)(6) of the Act (other than a bank specified in clause (i) or (iii) of section 3(a)(34)(B) of the Act (15 U.S.C. § 78c(3)(a)(34)(B)) that has filed a written notice of withdrawal with the Board or upon a finding that such transfer agent is no longer in existence or has ceased to do business as a transfer agent.

(19) Under the provisions of §§ 207.2(f), 220.2(e), and 221.3(d) of this chapter (Regulations G, T, and U, respectively) to approve issuance of the list of OTC margin stocks and to add, omit, or remove any stock in circumstances indicating that such change is necessary or appropriate in the public interest.

(20) Under the provisions of § 207.4(a)(2)(ii) of this chapter (Regulation G) to approve repayments of the "deficiency" with respect to stock option or employee stock purchase plan credit in lower amounts and over longer periods of time than those specified in the regulation.

(21) Pursuant to the provisions of Part 261 of this chapter, to make available reports and other information of the Board acquired pursuant to Parts 207, 220, 221, and 224 (Regulations G, T, U, and X) of the nature and in circumstances described in § 261.6(a)(2) and (3) of Part 261.

(22) Pursuant to the provisions of section 11(a) of the Federal Reserve Act (12 U.S.C. 248(a)) and sections 17(c), 17(g), and 23 of the Securities Exchange Act of 1934 (15 U.S.C. 78q(c), 78q(g), and 78w) to issue examination or inspection manuals, registration, report, agreement, and examination forms, guidelines, instructions or other similar materials for use in connection with the administration of sections 7, 8, 15B, and 17A(c) of the Securities Exchange Act of 1934 (15 U.S.C. 78g, 78h, 78o-4, and 78q-1).

(23) With the prior concurrence of the appropriate Federal Reserve Bank and the General Counsel of the Board, to act to refuse an application to the Board to stay, modify, terminate or set aside any effective cease and desist order previously issued by the Board pursuant to section 8(b) of the Federal Deposit Insurance Act or any written agreement between the Board or the Reserve Bank and a bank holding company or any non-banking subsidiary thereof or a State member bank (12 U.S.C. § 1818(b)).

(24) Pursuant to section 23 of the Securities Exchange Act of 1934 (15 U.S.C. 78w) (i) to grant or deny requests for waiver of examination and waiting period requirements for municipal securities principals and municipal securities representatives under Municipal Securities Rulemaking Board Rule G-3, (ii) to grant or deny requests for a determination that a natural person or municipal securities dealer subject to a statutory disqualification is qualified to act as a municipal securities principal or municipal securities representative or municipal securities dealer under Municipal Securities Rulemaking Board Rule G-4, and (iii) to approve or disapprove clearing arrangements under Municipal Securities Rulemaking Board Rule G-8, in connection with the administration of Municipal Securities Rulemaking

Board rules for municipal securities dealers for which the Board is the appropriate regulatory agency under section 3(a)(34) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(34)). (15 U.S.C. 78w and 12 U.S.C. 248.)

(25) To approve a State member bank's proposed subordinated debt issue as an addition to the bank's capital structure if all of the following conditions are met:

(i) The terms of the proposed debt issue satisfy the requirements of §§ 204.1(f)(3)(i) and 217.1(f)(3)(i) of this part (Regulations D and Q) and the Board's guideline criteria for approval of subordinated debt as an addition to capital.

(ii) The appropriate Reserve Bank recommends approval.

(iii) No significant policy issue is raised by the proposed issue as to which the Board has not expressed its view.

(d) **The Director of the Division of Federal Reserve Bank Operations** (or, in the Director's absence, the Acting Director) is authorized:

(1) Under the provisions of the sixteenth paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 304), to classify member banks for the purposes of electing Federal Reserve Bank class A and class B directors, giving considerations to

(i) the statutory requirement that each of the three groups shall consist as nearly as may be of banks of similar capitalization and

(ii) the desirability that every member bank have the opportunity to vote for a class A or a class B director at least once every three years.

(2) To approve or disapprove proposed remodeling or renovation of existing Reserve Bank or Branch buildings or additions to such buildings where the cost of such remodeling, renovation or addition will be in excess of one hundred thousand dollars (\$100,000), provided that the cost of each project approved by the Director may not be in excess of two hundred and fifty thousand dollars (\$250,000).

(e) **The Director of the Division of Personnel** (or, in the Director's absence, the Acting Director) is authorized, under the provisions of the twenty-first paragraph of section 4 of the Federal Reserve Act (12 U.S.C. 306), to approve the appointment of assistant Federal Reserve agents (in-

cluding representatives and alternate representatives of such agents).

(f) **Each Federal Reserve Bank** is authorized, as to member banks or other indicated organizations headquartered in its district or under subparagraph (25) of this paragraph as to its officers or under paragraph (f) (34) as to its own facilities:

(1) Under the provisions of the third paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 321), section 5155 of the Revised Statutes (12 U.S.C. 36), and § 208.8 of this chapter (Regulation H), to approve the establishment by a State member bank of a domestic branch if the proposed branch has been approved by the appropriate State authority and if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management;

(ii) the ability of bank's management to cope successfully with existing or foreseeable problems, and to staff the proposed branch without any significant deterioration in the overall management situation;

(iii) the convenience and needs of the community;

(iv) the competitive situation (either actual or potential);

(v) the prospects for profitable operations of the proposed branch within a reasonable time, and the ability of the bank to sustain the operational losses of the proposed branch until it becomes profitable; and

(vi) the reasonableness of bank's investment in bank premises after the expenditure for the proposed branch.

(2) Under the provisions of the sixth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 324) and the provisions of section 5199 of the Revised Statutes (12 U.S.C. 60), to permit a State member bank to declare dividends in excess of net profits for the calendar year combined with the retained net profits of the preceding two years, less any required transfers to surplus or a fund for the retirement of any preferred stock, if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management; and

(ii) the bank's capitalization after payment of the proposed dividend.

(3) Under the provisions of the tenth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 328), to approve or deny applications by State banks for waiver of the required six months' notice of intention to withdraw from Federal Reserve membership.

(4) Under the provisions of the eleventh paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 329), to permit a State member bank to reduce its capital stock if its capitalization thereafter will be:

(i) in conformity with the requirements of Federal law, and

(ii) adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management.

(5) Under the provisions of the seventeenth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 334), to extend the time, for good cause shown, within which an affiliate of a State member bank must file reports.

(6) Under the provisions of the seventh paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 372), to permit a member bank to accept commercial drafts in an aggregate amount at any one time up to 100 per cent of its capital and surplus.

(7) Under the provisions of section 24A of the Federal Reserve Act (12 U.S.C. 371d), to permit a State member bank to invest in bank premises in an amount in excess of its capital stock, if the Reserve Bank is satisfied that approval is warranted after giving consideration to:

(i) the bank's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management: *And provided, That*

(ii) upon completion of the proposed investment, the bank's aggregate investment (direct and indirect) in bank premises plus the indebtedness of any wholly-owned bank premises subsidiary will not exceed 40 per cent of its total capital funds (including capital notes and debentures) plus reserves other than valuation reserves.

(8) Under the provisions of the ninth paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 615), to extend the time in which an "Edge Act" corporation must divest itself of stock acquired in satisfaction of a debt previously contracted.

(9) Under the provisions of the twenty-second paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 628), to extend the period of corporate existence of an "Edge Act" corporation.

(10) Under the provisions of section 5(a) of the Bank Holding Company Act (12 U.S.C. 1844(a)), to extend the time within which a bank holding company must file a registration statement.

(11) Under the provisions of section 4(a) of the Bank Holding Company Act (12 U.S.C. 1843(a)), to extend the time within which a bank holding company must divest itself of interests in nonbanking organizations.

(12) Under the provisions of section 4(c)(2) of the Bank Holding Company Act (12 U.S.C. 143(c)), to extend the time within which a bank holding company must divest itself of interests in a nonbanking organization acquired in satisfaction of a debt previously contracted.

(13) Under the provisions of section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844(c)), to require reports under oath to determine whether a company is complying with the provisions of such Act and the Board's regulations promulgated thereunder.

(14) Under the provisions of § 208.11(c) of this chapter (Regulation H), to extend the time within which a member bank that has given notice of intention to withdraw from membership must surrender its Federal Reserve Bank stock and its certificate of membership.

(15) Under the provisions of §§ 216.5(b), 216.5(d), and 216.6 of this chapter (Regulation P), with respect to State member banks only:

- (i) to require reports on security devices;
- (ii) to require special reports; and

(iii) to determine, in view of the provisions of §§ 216.3 and 216.4, whether security devices and procedures are deficient in meeting the requirements of Part 216, to determine whether such requirements should be varied in the circumstances of a particular banking office, and to require corrective action.

(16) Under § 208.10(a) of this chapter (Regulation H), for good cause shown, to extend the time for publication of reports of condition, such extensions not ordinarily to be for more than 10 days except in very unusual circumstances beyond control of the reporting bank.

(17) Under the provisions of § 207.1(b) of this chapter (Regulation G), to approve applications for termination of registration by persons who are registered pursuant to § 207.1(a).

(18) Under the provisions of the second paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 612), and § 211.3 of this chapter (Regulation K), to approve amendments to the Articles of Association of any "Edge Act" corporation to reflect the following:

(i) any increase in the capital stock of such corporation where all additional shares are to be acquired by existing shareholders;

(ii) any change in the location of the home office of such corporation within the city where such corporation is presently located; and

(iii) any change in the number of members of the Board of Directors of such corporation.

(19) Under § 225.4(d) of this chapter (Regulation Y),

(i) to notify a bank holding company that has informed it of a proposed acquisition of a going concern that, because the circumstances surrounding the application indicate that additional information is required or that the acquisition should be considered by the Board, the acquisition should not be consummated until specifically authorized by the Reserve Bank or by the Board.

(ii) to permit a bank holding company that has informed it of a proposed acquisition of a going concern to make the acquisition before the expiration of the 45-day period referred to in that paragraph, because exigent circumstances justify consummation of the acquisition at an earlier time.

(20) Under § 225.4(b)(1) of this chapter (Regulation Y), and subject to § 265.3 if a person

submitting adverse comments that the Reserve Bank has decided are not substantive files a petition for review by the Board of that decision,

(i) to permit a bank holding company that has furnished it with a copy of a duly published notice of a proposal to engage *de novo* in activities specified in § 225.4(a) (or retain shares in a company established *de novo* and engaging in such activities) if its evaluation of the considerations specified in section 4(c)(8) of the Bank Holding Company Act leads it to conclude that the proposal can reasonably be expected to produce benefits to the public.

(ii) to notify a bank holding company that has furnished it with a duly published notice of the kind described in subdivision (i) of this subparagraph that the proposal should not be consummated until specifically authorized by the Reserve Bank or by the Board or that the proposal should be processed in accordance with the procedures of § 225.4(b)(2).

(iii) to permit a bank holding company that has furnished it with a duly published notice of the kind described in subdivision (i) of this subparagraph to consummate the proposal before the expiration of the 45-day period referred to in § 225.4(b)(1), because exigent circumstances justify consummation at an earlier time.

(21) Under § 225.4(c)(2) of this chapter (Regulation Y) to permit or stay a proposed *de novo* modification or relocation of activities engaged in by a bank holding company on the same basis as *de novo* proposals under subparagraph (20) of this paragraph.

(22) Under the provisions of section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the formation of a bank holding company through the acquisition by a company of a controlling interest in the voting shares of one or more banks, if all of the following conditions are met:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank recommended approval.

(iii) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(v) considerations relating to the convenience and needs of the communities to be served are consistent with or lend weight toward approval of the application.

(vi) in the event any debt incurred by the holding company to purchase shares of any bank involved in the proposal:

(a) an agreed plan for amortization of the debt within a reasonable time exists, such period normally not exceeding 12 years.

(b) the interest rate on any loan to purchase the bank shares will be comparable with other stock collateral loans by the lender to persons of comparable credit standing.

(c) no compensating balances, specifically attributable to the loan, will be deposited in the lending institution and the amount of any correspondent account which the proposed subsidiary bank will maintain with the lending institution should not exceed the amount necessary to compensate the lending bank for correspondent services rendered by it to the proposed subsidiary bank(s).

(vii) the Reserve Bank determines that the managerial and financial resources, including the equity to debt relationships, of Applicant, its existing subsidiaries, and any proposed subsidiary bank, are adequate, or will be adequate within a reasonable period of time after consummation of the proposal, and any debt service requirements to which the holding company may be subject are such as to enable it to maintain the capital adequacy of any proposed subsidiary bank in the foreseeable future.

(viii) if Applicant or any of Applicant's existing or proposed nonbanking subsidiaries compete in the same geographic and product market as any proposed subsidiary bank, the resulting organization will control no more than 10 per cent of that product or service line after consummation of the proposal.

(ix) total nonbank gross revenues of Applicant and its subsidiaries do not exceed 20 per cent of total operating income of the proposed banking subsidiaries.

(x) if Applicant engages, or is to engage, in nonbanking activities requiring the Board's approval under section 4(c)(8) of the Act, the Reserve Bank must also have delegated authority to approve the section 4(c)(8) activities.

(xi) if the proposal involves the acquisition of the controlling stock of only one bank,

and any debt is incurred by the holding company to purchase shares of the bank, the amount of the loan does not exceed 75 per cent of the purchase price of the shares of the proposed subsidiary bank.

(xii) if the proposal involves the acquisition of the controlling stock of more than one bank, the following additional conditions must be met:

(a) in the event any debt is incurred by the holding company to purchase shares of any proposed subsidiary bank(s), the total amount of the debt does not exceed 20 per cent of the equity capital accounts of the holding company.

(b) the Applicant will control no more than 15 per cent of total deposits in commercial banks in the State.

(xiii) neither Applicant nor the bank(s) to be acquired has entered into or proposes to enter into any agreement with any director, officer, employee or shareholder of the bank(s) that contains any condition that limits or restricts in any manner the right of such persons to compete with Applicant or any of Applicant's existing or proposed subsidiaries.

(23) Under the provisions of section 3(a)(3) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the acquisition by a bank holding company of additional shares in a bank that are to be acquired through exercise of rights received, on a pro rata basis, by the bank's shareholders.

(24) Under the provisions of section 3(a)(3) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the acquisition by a bank holding company of a controlling interest in the voting shares of an additional bank, if all of the following conditions are met:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank recommend approval.

(iii) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(v) considerations relating to the convenience and needs of the communities to be served

are consistent with or lend weight toward approval of the application.

(vi) in the event any debt is incurred by the holding company to purchase shares of any bank involved in the proposal:

(a) an agreed plan for amortization of the debt within a reasonable time exists, such period normally not exceeding 12 years.

(b) the interest rate on any loan to purchase the bank shares will be comparable with other stock collateral loans by the lender to persons of comparable credit standing.

(c) no compensating balances, specifically attributable to the loan, will be deposited in the lending institution and the amount of any correspondent account which the proposed subsidiary bank will maintain with the lending institution should not exceed the amount necessary to compensate the lending bank for correspondent services rendered by it to the proposed subsidiary bank.

(vii) the Reserve Bank determines that the managerial and financial resources, including the equity to debt relationships, of Applicant, its existing subsidiaries, and any proposed subsidiary bank, are adequate, or will be adequate within a reasonable period of time after consummation of the proposal, and any debt service requirements to which the holding company may be subject are such as to enable it to maintain the capital adequacy of any existing or proposed subsidiary bank in the foreseeable future.

(viii) if Applicant or any of Applicant's existing or proposed nonbanking subsidiaries compete in the same geographic and product market as any proposed subsidiary, the resulting organization will not control more than 10 per cent of that product or service line after consummation of the proposal.

(ix) total nonbank gross revenues of Applicant and its subsidiaries do not exceed 20 per cent of total operating income of the company's existing or proposed bank subsidiaries.

(x) if Applicant engages, or is to engage, in nonbanking activities requiring the Board's approval under section 4(c)(8) of the Act, the Reserve Bank must also have delegated authority to approve the section 4(c)(8) activities.

(xi) in the event any debt is incurred by Applicant to purchase shares of the bank, the resulting total acquisition debt of the holding company will not exceed 20 per cent of the company's

equity capital accounts after consummation of the proposal.

(xii) Applicant is not one of the dominant banking organizations in the State, and, unless the proposed subsidiary is a proposed new bank, Applicant will control no more than 15 per cent of the total deposits in commercial banks in the State after consummation of the proposal.

(xiii) if the bank to be acquired is an existing bank and if no banking offices of Applicant's existing subsidiary bank are located in the same market as the proposed subsidiary, the proposed subsidiary has no more than \$25 million in total deposits or controls no more than 15 per cent of deposits in commercial banks in the market.

(xiv) if the bank to be acquired is an existing bank and if any of Applicant's existing subsidiary banks compete in the same market as the proposed subsidiary, Applicant will control no more than 10 per cent of total deposits in commercial banks in the market after consummation.

(xv) if the bank to be acquired is a proposed new bank, bank subsidiaries of Applicant will not hold in the aggregate more than 20 per cent of the total deposits in commercial banks in the relevant market area and Applicant will not be one of the dominant banking organizations in the State.

(xvi) Applicant has a proven record of furnishing to its subsidiaries, when needed, special services, management, capital funds and general guidance.

(xvii) neither Applicant nor the bank to be acquired has entered into or proposes to enter into any agreement with any director, officer, employee or shareholder of the bank that contains any condition that limits or restricts in any manner the right of such persons to compete with Applicant or any of Applicant's existing or proposed subsidiaries.

(25) To set the salaries of its officers below the level of Senior Vice Presidents (Salary Group A), excluding the General Auditor, within officer salary ranges approved and guidelines subsequently issued by the Board of Governors.

(26) Under the provisions of the first paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 325) to approve applications for membership in the Federal Reserve System if the Reserve Bank is satisfied with respect to each of the following criteria:

(i) the financial history and condition of the applying bank and the general character of its management;

(ii) the adequacy of its capital structure in relation to the character and condition of its assets and to its existing and prospective deposit liabilities and other corporate responsibilities and its future earnings prospects;

(iii) the convenience and needs of the community to be served by the bank; and

(iv) whether its corporate powers are consistent with the purposes of the Federal Reserve Act and the Federal Deposit Insurance Act.

(27) Under the provisions of section 5(c) of the Bank Holding Company Act, as amended (12 U.S.C. 1844(c)), to grant to a bank holding company a 90-day extension of time in which to file an annual report; and for good cause shown an additional extension of time, not to exceed 90 days, may be granted.

(28) Under the provisions of section 18 (c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)), to approve a merger, consolidation, acquisition of assets, or assumption of liabilities, where the resulting bank is a State member bank, if all (or, in a case in which all of the banks involved in the transaction are subsidiaries of the same bank holding company, all except conditions v, vi, and vii) of the following conditions are met:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank recommended approval.

(iii) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(v) if the banks do not have offices in the same market, the bank to be acquired has no more than \$25 million in total deposits or controls no more than 15 per cent of the total deposits² in commercial banks in the market.

(vi) if the banks compete in the same banking market, the resulting bank will control no

more than 10 per cent of total deposits³ in commercial banks in the market.

(vii) neither of the merging or consolidating banks is a dominant banking organization in the State and the resulting institution will control no more than 15 per cent of the total deposits in commercial banks in the State after consummation of the proposal.⁴

(viii) the Reserve Bank determines that the managerial and financial resources, including the equity capital accounts of the resulting bank, are adequate, or will be adequate within a reasonable period of time after the proposal is consummated.

(ix) considerations relating to the convenience and needs of the communities to be served are consistent with, or lend weight toward, approval of the application.

(x) no bank involved in this proposal has entered into or proposes to enter into any agreement with any director, officer, employee or shareholder of either bank that contains any condition that limits or restricts in any manner the right of such persons to compete with the resulting institution.

(29) Under the provisions of section 3(a) of the Bank Holding Company Act (12 U.S.C. 1842), to approve by a letter of notification without compliance with section 262.3(h) of the Board's Rules of Procedure, the retention of shares of bank stock acquired in a fiduciary capacity (with sole voting rights) for a two-year period from the date of such acquisition, provided that the Applicant undertakes unconditionally to dispose of such shares or its sole discretionary voting rights with respect to such shares within two years from the date of such acquisition.

(30) Under the provisions of section 3(a) (5) of the Bank Holding Company Act (12 U.S.C. 1842), to approve the merger or consolidation of a bank holding company with any other bank holding company, if all of the following conditions are met:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank recommended approval.

² See footnote 2, opposite.

³ If either of the proponent banks is a subsidiary of a holding company and the parent company has another bank subsidiary operating in the market of the bank to be acquired, deposits of such offices should be included in the computation of market shares.

⁴ If either of the proponent banks is a subsidiary of a holding company, the deposits of the other subsidiary banks of the holding company should be included in determining whether the resulting institution will control more than 15 per cent of the total deposits in commercial banks in the State.

(iii) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(v) considerations relating to the convenience and needs of the communities to be served are consistent with or lend weight toward approval of the application.

(vi) in the event any debt is incurred by the resulting or surviving holding company to effect the merger or consolidation:

(a) an agreed plan for amortization of the debt within a reasonable time exists, such period normally not exceeding 12 years.

(b) the interest rate on any loan involved will be comparable with other stock collateral loans by the lender to borrowers of comparable credit standing.

(c) no compensating balances, specifically attributable to the loan, will be deposited in the lending institution and the amount of any correspondent account which the subsidiary banks of the resulting or surviving company will maintain with the lending institution should not exceed the amount necessary to compensate the lending bank for correspondent services rendered by it to the depositing bank(s).

(d) the total acquisition of the resulting or surviving company will not exceed 20 per cent of such company's equity capital accounts after consummation of the proposal.

(vii) the Reserve Bank determines that the managerial and financial resources, including the equity to debt relationships, of the merging or consolidating companies, and their existing subsidiaries, are adequate, or will be adequate within a reasonable period of time after consummation of the proposal, and any debt service requirements to which the resulting or surviving company may be subject are such as to enable it to maintain the capital adequacy of any existing future.

(viii) if either of the merging or consolidating companies or any of their subsidiaries compete in the same geographic or consolidating company or any of its subsidiaries, the resulting or surviving organization will not control more than 10 per cent of that product or service line after consummation of the proposal.

(ix) if the merging or consolidating bank holding companies do not have subsidiary banking offices in the same market, the resulting or surviving bank holding company will not acquire a subsidiary bank with more than \$25 million in deposits or with more than 15 per cent of the total deposits in commercial banks in the market.

(x) if any subsidiary bank(s) of either of the merging or consolidating companies competes in the same market as any subsidiary bank(s) of the other merging or consolidating company, the resulting or surviving company will control no more than 10 per cent of total deposits in commercial banks in the market after consummation of the proposal.

(xi) neither merging nor consolidating company is one of the dominant banking organizations in the State, and the resulting or surviving company will control no more than 15 per cent of total deposits in commercial banks in the State after consummation of the proposal.

(xii) total nonbank gross revenues of the merging or consolidating companies and their subsidiaries do not exceed 20 per cent of the total operating income of the merging or consolidating companies' bank subsidiaries.

(xiii) if either of the merging or consolidating companies engages, or is to engage, in nonbanking activities requiring the Board's approval under section 4(c)(8) of the Act, the Reserve Bank must also have delegated authority to approve the section 4(c)(8) activities.

(xiv) Applicant has a proven record of furnishing to its subsidiaries, when needed, special services, management, capital funds and general guidance.

(xv) neither bank holding company involved in this proposal nor any of the subsidiary banks of either bank holding company involved in this proposal has entered into or proposes to enter into any agreement with any officer, director, employee or shareholder of the bank(s) involved in this proposal that contains any condition that limits or restricts in any manner the right of such person to compete with the resulting or surviving company or any of its existing or proposed subsidiaries.

(31) Under the provisions of § 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843 (c)(8)) and §§ 225.4(a)(1), (2), (3), and (9)(ii) of Regulation Y (12 CFR 225.4(a)(1), (2), (3) and (9) (ii)), to approve the acquisition by a bank

holding company of an interest in a finance company⁵ or an industrial bank,⁶ whether by acquisition of shares or assets, provided that the following conditions are met:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) Applicant does not hold shares of a subsidiary finance company or subsidiary industrial bank or directly engages in such activities itself pursuant to § 4(a)(2) of the Act which may not be retained or engaged in beyond December 31, 1980 without Board approval.

(iii) all relevant departments of the Reserve Bank recommend approval.

(iv) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(v) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(vi) each office of Applicant's existing⁷ and proposed⁸ subsidiary banks, subsidiary industrial banks and subsidiary finance companies and of Applicant (if Applicant directly engages in such activities) is 25 miles or more distant (in a straight line) from each office of the finance company or industrial bank to be acquired.

(vii)(a) the maximum in assets of finance companies and industrial banks acquired under delegated authority in any calendar year⁹ does not exceed \$15 million; and

(b) the maximum size in assets of the finance company or industrial bank to be acquired does not exceed \$5 million. (Exception: The maximum size in assets of the finance company or

industrial bank to be acquired is \$15 million if the aggregate assets of Applicant's existing subsidiary finance companies and industrial banks¹⁰ and of the finance company or industrial bank to be acquired do not exceed \$50 million.)

(viii) total assets of the finance company or industrial bank to be acquired will not exceed 10 per cent of the total consolidated assets of Applicant after consummation.

(ix) the sale of credit-related insurance by the finance company or industrial bank to be acquired is limited to the sale, under individual or group policies, of credit life insurance,¹¹ credit accident and health insurance, and property damage insurance protecting collateral.¹²

(x) the activities of the firm to be acquired are clearly permissible under § 4(c)(8) of the Act and § 225.4(a) (1), (2), (3) and (9) (ii) of Regulation Y.

(xi) neither Applicant, Applicant's subsidiaries, nor the finance company or industrial bank to be acquired has entered into or proposes to enter into any agreement with any director, officer, employee or shareholder of the finance company or industrial bank that contains any condition limiting or restricting in any manner the right of such person to compete with Applicant or any of Applicant's existing or proposed subsidiaries.

(xii) the Reserve Bank determines that consummation of the proposal can reasonably be expected to result in benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

(32) Under the provisions of § 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843 (c) (8)) and § 225.4(a)(9)(iii)(a) of Regulation

⁵ A finance company is defined, for purposes of this regulation, as a concern which engages in consumer finance, sales finance and/or second mortgage activities. The acquisition of more than one separately incorporated company when such companies are part of an identifiable unit should be processed under a single acquisition application.

⁶ An industrial bank is a State-chartered institution which provides consumer credit and accepts limited types of deposits; it does not both accept demand deposits and make commercial loans. The term "industrial bank" also encompasses Morris Plan banks for purposes of this regulation.

⁷ The definition of an existing subsidiary also includes, for purposes of this regulation, a bank or company for which the acquisition has been approved by the Federal Reserve System but not yet consummated.

⁸ A proposed subsidiary is defined for purposes of this regulation as a bank or company for which an application for acquisition has been submitted to the Federal Reserve System.

⁹ For the year 1974, the maximum figure is \$8 million.

¹⁰ If Applicant itself directly engages in finance company or industrial bank activities, the assets related to such activities should be included in a determination of aggregate assets.

¹¹ Applications involving level term credit life insurance may not be acted upon by the Reserve Bank under delegated authority.

¹² If a finance company or industrial bank otherwise falling within these guidelines has a subsidiary engaged in the underwriting, as reinsurer, of credit life and credit accident and health insurance in connection with extensions of credit by the finance company or industrial bank or if a finance company or industrial bank acts as agent for the sale of types of credit-related insurance other than designated herein, the application may not be acted upon by the Reserve Bank under delegated authority.

Y (12 CFR 225.4(a) (9)(iii)(a)) to approve the acquisition or, as an incident to a bank holding company formation pursuant to § 3(a)(1) of the Act, the retention by a bank holding company of shares or assets of a company that acts as insurance agent or broker in offices at which the holding company or its subsidiaries are otherwise engaged in business (or in an office adjacent thereto) with respect to any insurance sold in a community that has a population not exceeding 5,000, provided that the following conditions are met:

(i) no member of the Board has indicated an objection prior to the Reserve Bank's action.

(ii) all relevant departments of the Reserve Bank recommend approval.

(iii) no substantive objection to the proposal has been made by a bank supervisory authority, the United States Department of Justice, or a member of the public.

(iv) no significant policy issue is raised by the proposal as to which the Board has not expressed its view.

(v) neither Applicant, Applicant's subsidiaries, nor the company to be acquired has entered into or proposes to enter into any agreement with any director, officer, employee or shareholder of the company that contains any condition that limits or restricts in any manner the right of such person to compete with applicant or any of applicant's existing or proposed subsidiaries.

(vi) the Reserve Bank determines that consummation of the proposal can reasonably be expected to result in benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

(33) Under the provisions of § 3(a)(3) of the Bank Holding Company Act (12 U.S.C. § 1842 (a)(3)), to approve the acquisition by any bank holding company of additional voting shares of a bank in which such bank holding company owns 25 per cent or more of any class of voting securities, if the proposal generally is in conformity with the conditions specified in section 265.2(f)(24) of this part. (12 U.S.C. 248(k) and 12 U.S.C. 1844(b)).

(34) Under the provisions of sections 3 and 11j of the Federal Reserve Act (12 U.S.C. § 521

and 248(j)), to undertake remodeling, renovation of or addition to its existing buildings or those of its branches provided the expenditure for such purpose does not exceed one hundred thousand dollars (\$100,000) within a single budget year.

(35) Under § 213.4(a) of this chapter (Regulation M) to extend the time in which a member bank must divest itself of stock or other evidences of ownership in a foreign bank acquired in satisfaction of a debt previously contracted.

(36) With the prior approval of both the Director of the Board's Division of Banking Supervision and Regulation and the General Counsel of the Board, to enter into a written agreement with a bank holding company or any nonbanking subsidiary thereof or with a State member bank concerning the correction of an unsafe or unsound practice in conducting the business of such bank holding company, nonbanking subsidiary or State member bank and concerning the correction of any violation of law, rule or regulation incident to such an unsafe or unsound practice. (12 U.S.C. 248(a), 321, 324, 325, 330, 1844; 12 CFR § 208.8).

(37) Under the provisions of section 2(a)(5)(D) and 3(a) of the Bank Holding Company Act (12 U.S.C. 1841(a)(5)(D), 1842(a)), to extend the time within which a company or a bank must divest itself of banks shares acquired in satisfaction of a debt previously contracted.

(g) **The Director of the Division of International Finance** (or, the Director's absence, the Acting Director) is authorized, under the provisions of the sixth paragraph of section 14 of the Federal Reserve Act (12 U.S.C. 358) to approve the establishment of foreign accounts with the Federal Reserve Bank of New York.

(h) **The Directors of the Division of Consumer Affairs** (or, the Director's absence, the Acting Director) is authorized:

(1) Pursuant to the provisions of section 11(a) of the Federal Reserve Act (12 U.S.C. 248(a)), sections 108(b), 621(c), and 704(b) of the Consumer Credit Protection Act (15 U.S.C. 1607(b), 1681s(c) and 1691c(b)), section 305(c) of the Home Mortgage Disclosure Act (12 U.S.C. 2804(c)), section 18(f)(3) of the Federal Trade Commission Act (15 U.S.C. 57a(f)(3)), and section 808(c) of the Civil Rights Act of 1968 (42 U.S.C. 3608(c)), to issue examination or inspection manuals, report, agreement, and examina-

tion forms, guidelines, instructions or other similar materials for use in connection with

(i) sections 1 through 709 (excluding sections 201 through 500) of the Consumer Credit Protection Act (15 U.S.C. 1601-1691f),

(ii) sections 301 through 310 of the Home Mortgage Disclosure Act (12 U.S.C. 2801-2809),

(iii) sections 18(f)(1)-(3) of the Federal Trade Commission Act (15 U.S.C. 57a(f)(1)-(3)), and

(iv) section 805 of the Civil Rights Act of 1968 (42 U.S.C. 3605); and rules and regulations issued thereunder.

(2) Pursuant to Sections 123, 171(b) and 186(b) of the Truth in Lending Act (15 U.S.C. 1633, 1666(j) and 1667(e)) and the Board's Regulation Z, 12 CFR Part 226.12, to grant, but not deny or revoke, exemptions to States from the requirements of

(i) Chapter 2 (15 U.S.C. 1631-1644), where State law imposes substantially similar requirements and there is adequate provision for enforcement,

(ii) Chapter 4 (15 U.S.C. 1666), where State law imposes substantially similar requirements or gives greater protection to the consumer and there is adequate provision for enforcement, and,

(iii) Chapter 5 (15 U.S.C. 1667), where State law imposes substantially similar requirements or gives greater protection and benefit to the consumer, and there is adequate provision for enforcement.

(3) Pursuant to section 703(b) of the Consumer Credit Protection Act (15 U.S.C. 1691b(b)), to call meetings of and consult with the Consumer Advisory Council established under that section, to approve the agenda for such meetings, and to accept any resignation from Consumer Advisory Council members.

(i) **The Secretary of the Federal Open Market Committee** (or, in his absence, the Deputy Secretary) is authorized:

To approve for inclusion in the Board's annual report to Congress records of policy actions of the Federal Open Market Committee.

(j) **The Director of the Division of Federal Reserve Bank Examinations and Budgets** (or, in the Director's absence, the Acting Director) is authorized:

(1) Under the provisions of the third paragraph of section 16 of the Federal Reserve Act

(12 U.S.C. 413), to apportion credit among the Reserve Banks for unfit notes that are destroyed, giving consideration to the net number of notes of each denomination that were issued by each Reserve Bank during the preceding calendar year.

(2) Under the provisions of §§ 216.5(b), 216.5(d), and 216.6 of this chapter (Regulation P), with respect to Federal Reserve Banks and branches

(i) to require reports on security devices;

(ii) to require special reports; and

(iii) to determine, in view of the provisions of §§ 216.3 and 216.4, whether security devices and procedures are deficient in meeting the requirements of Part 216, to determine whether such requirements should be varied in the circumstances of a particular banking office, and to require corrective action.

(3) To approve or disapprove supplementary budget requests and special incentive programs to improve operations or reduce costs, provided that the Board has previously approved the budget of the requesting Reserve Bank and provided that the supplemental request adheres to the Board's general expense guidelines and such guidelines as the Board may have imposed in approving the Reserve Bank's budget and provided that the amount approved by the Director may not exceed in any budgetary year one hundred thousand dollars (\$100,000) for each Reserve Bank and seven hundred fifty thousand dollars (\$750,000) for all Reserve Banks in the System.

SECTION 265.3—REVIEW OF ACTION AT DELEGATED LEVEL

Any action taken at a delegated level shall be subject to review by the Board only if such review is requested by a member of the Board either on the member's own initiative or on the basis of a petition for review by any person claiming to be adversely affected by the action. Any such petition for review must be received by the Secretary of the Board not later than the fifth day after the date of such action. Notice of any such review shall be given to the person with respect to whom such action was taken and be received by such person not later than the close of the tenth day following the date of such action. Upon receipt of such notice, such person shall not proceed further in reliance upon such action until such person is notified of the outcome of review thereof by the Board.